

Message Text

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ACTION ARA-14

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SUBJECT: MEXICAN TRADE MISSION VISITS BRAZIL

REF A. MEXICO A-9 B. BRASILIA 925

1. A MEXICAN TRADE MISSION LED BY GOM SECRETARY OF PTRIMONY AND INDUSTRIAL DEVELOPMENT JOSE ANDRES DE OTEYZA VISITED BRAZIL JULY 31-AUGUST 3. THE VISIT RESULTED IN THE SIGNING OF A NUMBER OF AGREEMENTS AIMED AT INCREASING TRADE AND ECONOMIC LINKS BETWEEN THE TWO COUNTRIES, BUT FEW OF THESE AGREEMENTS ARE EXPECTED TO HAVE A MAJOR IMMEDIATE IMPACT.

2. AGREEMENTS WERE SIGNED IN THE FOLLOWING AREAS:

A. SULPHUR-BRAZIL AGREED TO EXPAND ITS PURCHASES OF SULPHUR FROM MEXICO. MEXICO WILL PROVIDE TECHNICAL ASSISTANCE TO BRAZIL IN THE SEARCH FOR SULPHUR DEPOSITS IN BRAZIL.

B. IRON ORE- MEXICO WILL PURCHASE MORE BRAZILIAN IRON ORE PELLETS FOR ITS IRON AND STEEL INDUSTRY. PELLET SALES THIS YEAR, ACCORDING TO GOB MINISTER OF MINES AND ENERGY UEKI, SHOULD REACH 150,000 TONS, AND MAY REACH 500,000 TONS NEXT YEAR. SALES WILL BE AT PREVAILING WORLD PRICES.

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C. STEEL-THE TWO COUNTRIES ESTABLISHED A MIXED COMMISSION TO STUDY THE
STEEL INDUSTRY IN THEIR COUNTRIES. AREAS OF EMPHASIS WILL BE MARKET STUDIES, DEMAND FOR CAPITAL GOODS, AND HUMAN RESOURCES DEVELOPMENT. THE COMMISSION WILL EMPHASIZE THE ROLE OF PRIVATE STEEL COMPANIES IN THE STEEL SECTOR. IN ADDITION, AN AGREEMENT WAS REACHED ALLOWING

BRAZIL TO EXPORT 400,000 TONS OF STEEL TO MEXICO.

D. PETROCHEMICALS-BRAZIL AND MEXICO WILL INCREASE SALES OF EXCESS PETROCHEMICALS TO EACH OTHER; MEXICO WILL SELL AMMONIA TO BRAZIL AND BUY SYNTHETIC FIBER RAW MATERIAL FROM BRAZIL.

C. PULP AND PAPER-MEXICO WILL PURCHASE MORE PULP FROM BRAZIL. BRAZIL WILL EXAMINE MEXICAN TECHNOLOGY FOR NEWSPRINT PRODUCTION AND PAPER PRODUCTION BASED ON BAGASSE.

F. BAUZITE-BRAZIL WILL SELL BAUXITE FROM ITS TROMBETAS PROJECT IN THE AMAZON TO MEXICO AND OFFER TECHNICAL ASSISTANCE. COMMENT: THE TROMBETAS PROJECT IS STILL FAR FROM BEING A REALIZED FACT. END COMMENT.

G. MARITIME TRANSPORTATION- MEXICO AGREED TO EXAMINE WAYS OF LOWERING MARITIME FREIGHT COSTS BETWEEN MEXICO AND BRAZIL. FIRST ACTION

WILL BE TAKEN IN THE SHIPPING CONFERENCE. COMMENT: UEKI MENTIONED SEVERAL TIMES DURING VISIT THAT BRAZILIAN ABILITY TO BUY MEXICAN SULPHUR AND PETROLEUM WAS LIMITED BY EXCESS FREIGHT COSTS FOR THESE ITEMS DUE TO INABILITY OF LARGE BULK CARRIERS TO USE MEXICAN PORTS. END COMMENT.

H. AGRICULTURAL AIRCRAFT-BRAZIL DISCUSSED THE POSSIBILITY OF A JOINT VENTURE TO PRODUCE THE EMBRAER IPANEMA AGRICULTURAL AIRPLANE UNCLASSIFIED

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IN MEXICO. SINCE THE MEXICAN AIRCRAFT INDUSTRY IS IN PRIVATE HANDS, HOWEVER, NO PROGRESS WAS MADE ON THIS DURING OTEYZA'S VISIT. (REF A).

3. BRAZIL HAS HAD A TRADE DEFICIT WITH MEXICO FOR THE LAST TWO YEARS, AND UNDOUBTEDLY BRAZIL SEES THESE AGREEMENTS WITH MEXICO AS HELPING TO ALLEVIATE THIS DEFICIT. OPTIMISTIC TALK BY OTEYZA, UEKI, AND GOB MINISTRY OF INDUSTRY AND COMMERCE CALMON DE SA AT THE SIGNING OF THE AGREEMENTS FORESAW BILATERAL TRADE REACHING US\$1 BILLION "RAPIDLY" (UP FROM \$300 MILLION AT PRESENT).

4. MANY OF THESE AGREEMENTS ARE, OF COURSE, CONTINUATIONS OF DISCUSSIONS BEGUN DURING PRESIDENT GEISEL'S VISIT TO MEXICO IN JANUARY OF THIS YEAR (REF B). BESIDES MEETING WITH MINISTERS UEKI AND CALMON DE SA, OTEYZA PAID A CURTESY CALL ON GEISEL. OTEYZA INVITED UEKI TO VISIT MEXICO IN SEPTEMBER (FOR THE LATIN AMERICAN ENERGY ORGANIZATION (OLADE) MINISTERIAL) AND CALMON DE SA TO VISIT IN DECEMBER; BOTH ACCEPTED. SAYRE

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